

AMENDED IN SENATE JUNE 16, 2009

AMENDED IN ASSEMBLY MAY 5, 2009

AMENDED IN ASSEMBLY APRIL 13, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

## ASSEMBLY BILL

**No. 1246**

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**Introduced by Assembly Member Jones**

February 27, 2009

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An act to amend Section 11003.4 of the Business and Professions Code, and to amend Section 33007.5 of, to add Sections 33007.6 and 33007.7 to, and to add Article 4 (commencing with Section 33520) to Chapter 5 of Part 1 of Division 24 of, the Health and Safety Code, Code, to amend Section 1351 of, and to add Chapter 5 (commencing with Section 817) to Title 2 of Part 2 of Division 2 of, the Civil Code, and to amend Sections 33413.7 and 50073 of, and to repeal Section 33007.5 of, the Health and Safety Code, relating to housing.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1246, as amended, Jones. ~~Housing cooperative trust and workforce~~ Workforce housing cooperative trust.

(1) Existing law defines “limited-equity housing cooperative” to be a corporation that meets specified criteria. Existing law exempts a limited-equity housing cooperative from specified requirements for the regulation of transactions of subdivided lands.

This bill would revise the definition of a “limited-equity housing cooperative” to also apply to a ~~“housing cooperative trust” and “workforce housing cooperative trust.”~~ The bill would exempt an entity as so defined from these provisions governing the regulation of transactions of subdivided land if, among other organizations, the

Federal Home Loan Bank System or any of its member institutions and school districts directly finance or subsidize at least 50% of the total construction or development cost or \$100,000, whichever is less. The bill also would exempt such an entity from these provisions if the real property to be occupied by the cooperative was sold or leased by the Department of Transportation, other state agency, a city, a county, or a school district for the development of the cooperative and has a regulatory agreement, as specified.

(2) ~~The Community Redevelopment Law~~ *Existing law* defines “limited-equity housing cooperative” to mean a corporation organized on a cooperative basis that meets specified requirements.

This bill would revise the definition of a “limited-equity housing cooperative” to also apply to a ~~“housing cooperative trust” and “workforce housing cooperative trust.”~~ The bill would prohibit a board of directors from returning transfer value, either full or partial, to a member of the board while he or she still remains a member of the board, and would prohibit an existing member of the board of directors from accepting the return of his or her transfer value, either full or partial. The bill would ~~require~~ *authorize* that, in any suit against a board of directors and its members ~~for not upholding the statutes that apply to such an entity the prevailing party be awarded all attorneys’ fees and compensatory and punitive damages based upon a breach of corporate or fiduciary duties or a failure to comply with specified requirements, a prevailing plaintiff recover reasonable attorneys’ fees and costs.~~ The bill would prohibit an organization formed under ~~this section~~ *the act* that uses public funds from using any corporate funds to avoid compliance with ~~the Community Redevelopment Law~~ *its provisions*, and from pursuing dissolution if the intent or outcome is for the members to occupy those units upon dissolution. The bill would prohibit the members of the board of directors and the board of directors from arranging to occupy units in fee simple or as a rental after dissolution of the organization. The bill would impose procedural requirements relating to the dissolution of ~~an organization~~ *a limited-equity housing cooperative or workforce housing cooperative trust* that receives or has received a public subsidy.

This bill also would provide for the manner in which a workforce housing cooperative trust is organized and operated, as specified. *The bill would make technical and conforming changes to existing law.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 11003.4 of the Business and Professions Code is amended to read:

11003.4. (a) A “limited-equity housing cooperative” ~~or a “housing cooperative trust”~~ or a “workforce housing cooperative trust” is a corporation that meets the criteria of Section 11003.2 and that also meets the criteria of Sections ~~33007.5 and 33007.6 of the Health and Safety Code 817 and 817.1 of the Civil Code~~, as applicable. Except as provided in subdivision (b), a limited-equity housing ~~cooperative or workforce housing cooperative trust~~ shall be subject to all the requirements of this chapter pertaining to stock cooperatives.

(b) A limited-equity housing cooperative, ~~a housing cooperative trust, and~~ or a workforce housing cooperative trust shall be exempt from the requirements of this chapter if the limited-equity housing cooperative, ~~housing cooperative trust~~, or workforce housing cooperative trust complies with all the following conditions:

(1) The United States Department of Housing and Urban Development, the ~~Farmers Home Administration~~ *United States Department of Agriculture*, the National Consumers Cooperative Bank, the California Housing Finance Agency, ~~or the Public Employees’ Retirement System (PERS), the State Teachers’ Retirement System (STRS)~~, the Department of Housing and Community Development, *or the Federal Home Loan Bank System* or any of its member institutions, alone or in any combination with each other, or with the city, county, school district, or redevelopment agency in which the cooperative is located, directly finances or subsidizes at least 50 percent of the total construction or development cost or one hundred thousand dollars (\$100,000), whichever is less; or the real property to be occupied by the cooperative was sold or leased by the Department of Transportation, other state agency, a city, a county, or a school district for the development of the cooperative and has a regulatory agreement approved by the Department of Housing and Community Development for the term of the permanent financing, notwithstanding the source of the permanent subsidy or financing.

(2) No more than 20 percent of the total development cost of a limited-equity mobilehome park, and no more than 10 percent of

1 the total development cost of other limited-equity housing  
2 cooperatives, is provided by purchasers of membership shares.

3 (3) A regulatory agreement that covers the cooperative for a  
4 term of at least as long as the duration of the permanent financing  
5 or subsidy, notwithstanding the source of the permanent subsidy  
6 or financing has been duly executed between the recipient of the  
7 financing and either (A) one of the federal or state agencies  
8 specified in paragraph (1) or (B) a local public agency that is  
9 providing financing for the project under a regulatory agreement  
10 meeting standards of the Department of Housing and Community  
11 Development. The regulatory agreement shall make provision for  
12 at least all of the following:

13 (A) Assurances for completion of the common areas and  
14 facilities to be owned or leased by the limited-equity housing  
15 cooperative, unless a construction agreement between the same  
16 parties contains written assurances for completion.

17 (B) Governing instruments for the organization and operation  
18 of the housing cooperative by the members.

19 (C) The ongoing fiscal management of the project by the  
20 cooperative, including an adequate budget, reserves, and provisions  
21 for maintenance and management.

22 (D) Distribution of a membership information report to any  
23 prospective purchaser of a membership share, prior to purchase  
24 of that share. The membership information report shall contain  
25 full disclosure of the financial obligations and responsibilities of  
26 cooperative membership, the resale of shares, the financing of the  
27 cooperative including any arrangements made with any partners,  
28 membership share accounts, occupancy restrictions, management  
29 arrangements, and any other information pertinent to the benefits,  
30 risks, and obligations of cooperative ownership.

31 (4) The federal, state, or local public agency that executes the  
32 regulatory agreement shall satisfy itself that the bylaws, articles  
33 of incorporation, occupancy agreement, subscription agreement,  
34 any lease of the regulated premises, any arrangement with partners,  
35 and arrangement for membership share accounts provide adequate  
36 protection of the rights of cooperative members.

37 (5) The federal or state agency shall receive from the attorney  
38 for the recipient of the financing or subsidy a legal opinion that  
39 the cooperative meets the requirements of Section ~~33007.5~~ of the

1 ~~Health and Safety Code 817 of the Civil Code~~ and the exemption  
2 provided by this section.

3 (c) Any limited-equity cooperative, ~~housing cooperative trust,~~  
4 or workforce housing cooperative trust that meets the requirements  
5 for exemption pursuant to subdivision (b) may elect to be subject  
6 to all provisions of this chapter.

7 (d) The developer of the cooperative shall notify the Department  
8 of Real Estate, on a form provided by the department, that an  
9 exemption is claimed under this section. The Department of Real  
10 Estate shall retain this form for at least four years for statistical  
11 purposes.

12 SEC. 2. Chapter 5 (commencing with Section 817) is added to  
13 Title 2 of Part 2 of Division 2 of the Civil Code, to read:

14  
15 CHAPTER 5. HOUSING COOPERATIVES AND HOUSING  
16 COOPERATIVE TRUSTS  
17

18 817. “Limited-equity housing cooperative” or a “workforce  
19 housing cooperative trust” means a corporation organized on a  
20 cooperative basis that, in addition to complying with Section 817.1  
21 as may be applicable, meets all of the following requirements:

22 (a) The corporation is any of the following:

23 (1) Organized as a nonprofit public benefit corporation pursuant  
24 to Part 2 (commencing with Section 5110) of Division 2 of Title 1  
25 of the Corporations Code.

26 (2) Holds title to real property as the beneficiary of a trust  
27 providing for distribution for public or charitable purposes upon  
28 termination of the trust.

29 (3) Holds title to real property subject to conditions that will  
30 result in reversion to a public or charitable entity upon dissolution  
31 of the corporation.

32 (4) Holds a leasehold interest, of at least 20 years’ duration,  
33 conditioned on the corporation’s continued qualification under  
34 this section, and provides for reversion to a public entity or  
35 charitable corporation.

36 (b) (1) The articles of incorporation or bylaws require the  
37 purchase and sale of the stock or membership interest of resident  
38 owners who cease to be permanent residents, at no more than a  
39 transfer value determined as provided in the articles or bylaws,  
40 and that shall not exceed the aggregate of the following:

1     (A) *The consideration paid for the membership or shares by the*  
2 *first occupant of the unit involved, as shown on the books of the*  
3 *corporation.*

4     (B) *The value, as determined by the board of directors of the*  
5 *corporation, of any improvements installed at the expense of the*  
6 *member or a prior member with the prior approval of the board*  
7 *of directors.*

8     (C) *Accumulated simple interest, an inflation allowance at a*  
9 *rate that may be based on a cost-of-living index, an income index,*  
10 *or market-interest index, or compound interest if specified in the*  
11 *articles of incorporation or bylaws. For newly formed*  
12 *corporations, accumulated simple interest shall apply. Any*  
13 *increment pursuant to this paragraph shall not exceed a 10-percent*  
14 *annual increase on the consideration paid for the membership or*  
15 *share by the first occupant of the unit involved.*

16     (2) *For purposes of a return of transfer value, all of the*  
17 *following are prohibited:*

18     (A) *A board of directors returning transfer value, either full or*  
19 *partial, to a member while he or she still remains a member.*

20     (B) *An existing member accepting the return of his or her*  
21 *transfer value, either full or partial.*

22     (c) *The articles of incorporation or bylaws require the board*  
23 *of directors to sell the stock or membership interest purchased as*  
24 *provided in subdivision (b) to new member-occupants or resident*  
25 *shareholders at a price that does not exceed the “transfer value”*  
26 *paid for the unit.*

27     (d) *The “corporate equity,” that is defined as the excess of the*  
28 *current fair marketed value of the corporation’s real property over*  
29 *the sum of the current transfer values of all shares or membership*  
30 *interests, reduced by the principal balance of outstanding*  
31 *encumbrances upon the corporate real property as a whole, shall*  
32 *be applied as follows:*

33     (1) *So long as any such encumbrance remains outstanding, the*  
34 *corporate equity shall not be used for distribution to members,*  
35 *but only for the following purposes, and only to the extent*  
36 *authorized by the board, subject to the provisions and limitations*  
37 *of the articles of incorporation and bylaws:*

38     (A) *For the benefit of the corporation or the improvement of*  
39 *the real property.*

1     (B) For expansion of the corporation by acquisition of additional  
2     real property.

3     (C) For public benefit or charitable purposes.

4     (2) Upon sale of the property, dissolution of the corporation,  
5     or occurrence of a condition requiring termination of the trust or  
6     reversion of title to the real property, the corporate equity is  
7     required by the articles, bylaws, or trust or title conditions to be  
8     paid out, or title to the property transferred, subject to outstanding  
9     encumbrances and liens, for the transfer value of membership  
10    interests or shares, for use for a public or charitable purpose.

11    (e) Amendment of the bylaws and articles of incorporation  
12    requires the affirmative vote of at least two-thirds of the  
13    resident-owner members or shareholders.

14    817.1. (a) A “workforce housing cooperative trust” is an entity  
15    organized pursuant to this section that complies with Section 817  
16    and with all of the following:

17    (1) Allows the governing board to be composed of two classes  
18    of board members. One class is elected by the residents, and one  
19    class is appointed by sponsor organizations, including employer  
20    and employee organizations, chambers of commerce, government  
21    entities, unions, religious organizations, nonprofit organizations,  
22    cooperative organizations, and other forms of organizations.  
23    Resident members shall elect a majority of the board members.  
24    However, sponsor organizations may appoint up to one less than  
25    a majority of the board members. The numerical composition and  
26    class of the sponsor and resident board members shall be set in  
27    the articles of incorporation and in the bylaws.

28    (2) Requires the charter board of a workforce housing  
29    cooperative trust to be composed of only sponsor board members,  
30    to remain in place for one year after the first resident occupancy.  
31    One year after the first resident occupancy, the resident members  
32    shall elect a single board member. Three years after the first  
33    resident occupancy, resident members shall elect a majority of the  
34    board members.

35    (3) Prohibits the removal of the appointees of sponsor  
36    organizations, except for cause.

37    (4) Allows for the issuance of separate classes of shares to  
38    sponsor organizations or support organizations. These shares  
39    shall be denominated as “workforce housing shares” and shall  
40    receive a rate of return of no more than 10 percent simple interest

1 pursuant to subparagraph (C) of paragraph (1) of subdivision (b)  
2 of Section 817.

3 (5) Requires, in order to amend the bylaws or articles of  
4 incorporation of a workforce housing cooperative trust, the  
5 affirmative vote of at least a majority of the resident-owner  
6 members or shareholders and a majority of each class of board  
7 members. The rights of the sponsor board members or the sponsors  
8 shall not be changed without the affirmative vote of two-thirds of  
9 the sponsor board members.

10 (b) A workforce housing cooperative trust shall be entitled to  
11 operate at multiple locations in order to sponsor limited-equity  
12 housing cooperatives. A workforce housing cooperative trust may  
13 either own or lease land for the purpose of developing  
14 limited-equity housing cooperatives.

15 (c) A workforce housing cooperative trust may be created when  
16 at least 51 percent of the occupied units in a multifamily property  
17 that is in foreclosure support efforts to buy the building or property.

18 817.2. The procedure for the dissolution of a limited-equity  
19 housing cooperative or workforce housing cooperative trust that  
20 receives or has received a public subsidy shall be as follows:

21 (a) A public hearing, conducted by the county in which the  
22 limited-equity housing cooperative or workforce housing  
23 cooperative trust is located, shall be held. The cooperative or trust  
24 shall pay for all costs associated with the public hearing.

25 (b) The county shall provide notice to all interested parties. The  
26 notice shall be given at least 120 days prior to the date of the  
27 hearing. The county shall obtain a list of all other limited-equity  
28 housing cooperatives and cooperative development organizations  
29 in the state from the California Center for Cooperative  
30 Development, if it exists, and provide notice to all of the entities  
31 on the list in an effort to create a merger with an existing  
32 limited-equity housing cooperative or workforce housing  
33 cooperative trust. The notice shall be mailed first-class, postage  
34 prepaid, in the United States mail.

35 (c) If the dissolving limited-equity housing cooperative or  
36 workforce housing cooperative trust merges with an existing  
37 cooperative or trust, to the extent possible, the merger shall be  
38 with the geographically closest cooperative or trust.



1     (d) If the dissolving limited-equity housing cooperative or  
2     workforce housing cooperative trust does not merge with an  
3     existing cooperative or trust, both of the following shall occur:

4     (1) Upon completion of the public hearing required pursuant  
5     to subdivision (a), the county shall adopt a resolution approving  
6     of the dissolution and make a finding that the dissolution plan is  
7     free of private inurement, and meets the requirements of state and  
8     federal law.

9     (2) Any dissolved housing units held by the limited-equity  
10    housing cooperative or workforce housing cooperative trust shall  
11    be made available through a public lottery supervised by the county  
12    in which the cooperative or trust is located.

13    (e) The members of the board of directors shall not arrange to  
14    occupy units in fee simple or as a rental as an outcome of the  
15    dissolution of the limited-equity housing cooperative or workforce  
16    housing cooperative.

17    817.3. Each entity named as a sponsor organization of a  
18    workforce housing cooperative trust formed pursuant to Section  
19    817 shall have the legal standing of a member unless it revokes,  
20    in writing, its sponsorship.

21    817.4. (a) In any action instituted against a board of directors  
22    and its members based upon a breach of corporate or fiduciary  
23    duties or a failure to comply with the requirements of this chapter,  
24    a prevailing plaintiff may recover reasonable attorney's fees and  
25    costs. If the court determines, by clear and convincing evidence,  
26    that the breach or failure to comply was willful, the court, in its  
27    discretion, may award punitive damages in addition to any other  
28    amounts.

29    (b) If an organization formed under this chapter uses public  
30    funds, it shall not use any corporate funds to avoid compliance  
31    with this chapter or to pursue dissolution if the intent or outcome  
32    is for some or all of the members to occupy those units upon  
33    dissolution.

34    SEC. 3. Section 1351 of the Civil Code is amended to read:

35    1351. As used in this title, the following terms have the  
36    following meanings:

37    (a) "Association" means a nonprofit corporation or  
38    unincorporated association created for the purpose of managing a  
39    common interest development.

(b) “Common area” means the entire common interest development except the separate interests therein. The estate in the common area may be a fee, a life estate, an estate for years, or any combination of the foregoing. However, the common area for a planned development specified in paragraph (2) of subdivision (k) may consist of mutual or reciprocal easement rights appurtenant to the separate interests.

(c) “Common interest development” means any of the following:

(1) A community apartment project.

(2) A condominium project.

(3) A planned development.

(4) A stock cooperative.

(d) “Community apartment project” means a development in which an undivided interest in land is coupled with the right of exclusive occupancy of any apartment located thereon.

(e) “Condominium plan” means a plan consisting of (1) a description or survey map of a condominium project, which shall refer to or show monumentation on the ground, (2) a three-dimensional description of a condominium project, one or more dimensions of which may extend for an indefinite distance upwards or downwards, in sufficient detail to identify the common areas and each separate interest, and (3) a certificate consenting to the recordation of the condominium plan pursuant to this title signed and acknowledged by the following:

(A) The record owner of fee title to that property included in the condominium project.

(B) In the case of a condominium project which will terminate upon the termination of an estate for years, the certificate shall be signed and acknowledged by all lessors and lessees of the estate for years.

(C) In the case of a condominium project subject to a life estate, the certificate shall be signed and acknowledged by all life tenants and remainder interests.

(D) The certificate shall also be signed and acknowledged by either the trustee or the beneficiary of each recorded deed of trust, and the mortgagee of each recorded mortgage encumbering the property.

Owners of mineral rights, easements, rights-of-way, and other nonpossessory interests do not need to sign the condominium plan. Further, in the event a conversion to condominiums of a community

1 apartment project or stock cooperative has been approved by the  
2 required number of owners, trustees, beneficiaries, and mortgagees  
3 pursuant to Section 66452.10 of the Government Code, the  
4 certificate need only be signed by those owners, trustees,  
5 beneficiaries, and mortgagees approving the conversion.

6 A condominium plan may be amended or revoked by a  
7 subsequently acknowledged recorded instrument executed by all  
8 the persons whose signatures would be required pursuant to this  
9 subdivision.

10 (f) A “condominium project” means a development consisting  
11 of condominiums. A condominium consists of an undivided interest  
12 in common in a portion of real property coupled with a separate  
13 interest in space called a unit, the boundaries of which are described  
14 on a recorded final map, parcel map, or condominium plan in  
15 sufficient detail to locate all boundaries thereof. The area within  
16 these boundaries may be filled with air, earth, or water, or any  
17 combination thereof, and need not be physically attached to land  
18 except by easements for access and, if necessary, support. The  
19 description of the unit may refer to (1) boundaries described in the  
20 recorded final map, parcel map, or condominium plan, (2) physical  
21 boundaries, either in existence, or to be constructed, such as walls,  
22 floors, and ceilings of a structure or any portion thereof, (3) an  
23 entire structure containing one or more units, or (4) any  
24 combination thereof. The portion or portions of the real property  
25 held in undivided interest may be all of the real property, except  
26 for the separate interests, or may include a particular  
27 three-dimensional portion thereof, the boundaries of which are  
28 described on a recorded final map, parcel map, or condominium  
29 plan. The area within these boundaries may be filled with air, earth,  
30 or water, or any combination thereof, and need not be physically  
31 attached to land except by easements for access and, if necessary,  
32 support. An individual condominium within a condominium project  
33 may include, in addition, a separate interest in other portions of  
34 the real property.

35 (g) “Declarant” means the person or group of persons designated  
36 in the declaration as declarant, or if no declarant is designated, the  
37 person or group of persons who sign the original declaration or  
38 who succeed to special rights, preferences, or privileges designated  
39 in the declaration as belonging to the signator of the original  
40 declaration.

1 (h) “Declaration” means the document, however denominated,  
2 which contains the information required by Section 1353.

3 (i) “Exclusive use common area” means a portion of the  
4 common areas designated by the declaration for the exclusive use  
5 of one or more, but fewer than all, of the owners of the separate  
6 interests and which is or will be appurtenant to the separate interest  
7 or interests.

8 (1) Unless the declaration otherwise provides, any shutters,  
9 awnings, window boxes, doorsteps, stoops, porches, balconies,  
10 patios, exterior doors, doorframes, and hardware incident thereto,  
11 screens and windows or other fixtures designed to serve a single  
12 separate interest, but located outside the boundaries of the separate  
13 interest, are exclusive use common areas allocated exclusively to  
14 that separate interest.

15 (2) Notwithstanding the provisions of the declaration, internal  
16 and external telephone wiring designed to serve a single separate  
17 interest, but located outside the boundaries of the separate interest,  
18 are exclusive use common areas allocated exclusively to that  
19 separate interest.

20 (j) “Governing documents” means the declaration and any other  
21 documents, such as bylaws, operating rules of the association,  
22 articles of incorporation, or articles of association, which govern  
23 the operation of the common interest development or association.

24 (k) “Planned development” means a development (other than  
25 a community apartment project, a condominium project, or a stock  
26 cooperative) having either or both of the following features:

27 (1) The common area is owned either by an association or in  
28 common by the owners of the separate interests who possess  
29 appurtenant rights to the beneficial use and enjoyment of the  
30 common area.

31 (2) A power exists in the association to enforce an obligation  
32 of an owner of a separate interest with respect to the beneficial use  
33 and enjoyment of the common area by means of an assessment  
34 which may become a lien upon the separate interests in accordance  
35 with Section 1367 or 1367.1.

36 (l) “Separate interest” has the following meanings:

37 (1) In a community apartment project, “separate interest” means  
38 the exclusive right to occupy an apartment, as specified in  
39 subdivision (d).

(2) In a condominium project, “separate interest” means an individual unit, as specified in subdivision (f).

(3) In a planned development, “separate interest” means a separately owned lot, parcel, area, or space.

(4) In a stock cooperative, “separate interest” means the exclusive right to occupy a portion of the real property, as specified in subdivision (m).

Unless the declaration or condominium plan, if any exists, otherwise provides, if walls, floors, or ceilings are designated as boundaries of a separate interest, the interior surfaces of the perimeter walls, floors, ceilings, windows, doors, and outlets located within the separate interest are part of the separate interest and any other portions of the walls, floors, or ceilings are part of the common areas.

The estate in a separate interest may be a fee, a life estate, an estate for years, or any combination of the foregoing.

(m) “Stock cooperative” means a development in which a corporation is formed or availed of, primarily for the purpose of holding title to, either in fee simple or for a term of years, improved real property, and all or substantially all of the shareholders of the corporation receive a right of exclusive occupancy in a portion of the real property, title to which is held by the corporation. The owners’ interest in the corporation, whether evidenced by a share of stock, a certificate of membership, or otherwise, shall be deemed to be an interest in a common interest development and a real estate development for purposes of subdivision (f) of Section 25100 of the Corporations Code.

A “stock cooperative” includes a limited equity housing cooperative which is a stock cooperative that meets the criteria of Section 33007.5 of the Health and Safety Code 817.

*SEC. 4. Section 33007.5 of the Health and Safety Code is repealed.*

~~33007.5. “Limited equity housing cooperative” means a corporation organized on a cooperative basis which meets all of the following requirements:~~

~~(a) The corporation is any of the following:~~

~~(1) Organized as a nonprofit public benefit corporation pursuant to Part 2 (commencing with Section 5110) of Division 2 of Title 4 of the Corporations Code.~~

1     ~~(2) Holds title to real property as the beneficiary of a trust~~  
2     ~~providing for distribution for public or charitable purposes upon~~  
3     ~~termination of the trust.~~

4     ~~(3) Holds title to real property subject to conditions which will~~  
5     ~~result in reversion to a public or charitable entity upon dissolution~~  
6     ~~of the corporation.~~

7     ~~(4) Holds a leasehold interest, of at least 20 years' duration,~~  
8     ~~conditioned on the corporation's continued qualification under~~  
9     ~~this section, and providing for reversion to a public entity or~~  
10    ~~charitable corporation.~~

11    ~~(b) The articles of incorporation or bylaws require the purchase~~  
12    ~~and sale of the stock or membership interest of resident owners~~  
13    ~~who cease to be permanent residents, at no more than a transfer~~  
14    ~~value determined as provided in the articles or bylaws, and which~~  
15    ~~shall not exceed the aggregate of the following:~~

16    ~~(1) The consideration paid for the membership or shares by the~~  
17    ~~first occupant of the unit involved, as shown on the books of the~~  
18    ~~corporation.~~

19    ~~(2) The value, as determined by the board of directors of the~~  
20    ~~corporation, of any improvements installed at the expense of the~~  
21    ~~member with the prior approval of the board of directors.~~

22    ~~(3) Accumulated interest, or an inflation allowance at a rate~~  
23    ~~which may be based on a cost-of-living index, an income index,~~  
24    ~~or market interest index. Any increment pursuant to this paragraph~~  
25    ~~shall not exceed a 10 percent annual increase on the consideration~~  
26    ~~paid for the membership or share by the first occupant of the unit~~  
27    ~~involved.~~

28    ~~(c) The articles of incorporation or bylaws require the board~~  
29    ~~of directors to sell the stock or membership interest purchased as~~  
30    ~~provided in subdivision (b), to new member-occupants or resident~~  
31    ~~shareholders at a price which does not exceed the "transfer value"~~  
32    ~~paid for the unit.~~

33    ~~(d) The "corporate equity," which is defined as the excess of~~  
34    ~~the current fair marketed value of the corporation's real property~~  
35    ~~over the sum of the current transfer values of all shares or~~  
36    ~~membership interests, reduced by the principal balance of~~  
37    ~~outstanding encumbrances upon the corporate real property as a~~  
38    ~~whole, shall be applied as follows:~~

39    ~~(1) So long as any such encumbrance remains outstanding, the~~  
40    ~~corporate equity shall not be used for distribution to members, but~~

1 only for the following purposes, and only to the extent authorized  
2 by the board, subject to the provisions and limitations of the articles  
3 of incorporation and bylaws:

4 (A) ~~For the benefit of the corporation or the improvement of~~  
5 ~~the real property.~~

6 (B) ~~For expansion of the corporation by acquisition of additional~~  
7 ~~real property.~~

8 (C) ~~For public benefit or charitable purposes.~~

9 (2) ~~Upon sale of the property, dissolution of the corporation,~~  
10 ~~or occurrence of a condition requiring termination of the trust or~~  
11 ~~reversion of title to the real property, the corporate equity is~~  
12 ~~required by the articles, bylaws, or trust or title conditions to be~~  
13 ~~paid out, or title to the property transferred, subject to outstanding~~  
14 ~~encumbrances and liens, for the transfer value of membership~~  
15 ~~interests or shares, for use for a public or charitable purpose.~~

16 (e) ~~Amendment of the bylaws and articles of incorporation~~  
17 ~~requires the affirmative vote of at least two-thirds of the~~  
18 ~~resident-owner members or shareholders.~~

19 *SEC. 5. Section 33413.7 of the Health and Safety Code is*  
20 *amended to read:*

21 33413.7. An agency causing the rehabilitation, development,  
22 or construction of replacement dwelling units, other than  
23 single-family residences, pursuant to Section 33413 or Section  
24 33464, or pursuant to a replacement housing plan as required by  
25 Section 33413.5, or pursuant to provisions of a redevelopment  
26 plan required by Section 33334.5, primarily for persons of low  
27 income, as defined in Section 50093, shall give preference to those  
28 developments ~~which~~ *that* are proposed to be organized as  
29 limited-equity housing cooperatives, when so requested by a project  
30 area committee established pursuant to Section 33385, provided  
31 ~~such~~ *the* project is achievable in an efficient and timely manner.

32 ~~Such~~

33 *The* limited-equity housing cooperatives shall, in addition to the  
34 provisions of Section ~~33007.5~~ *817 of the Civil Code*, be organized  
35 so that the consideration paid for memberships or shares by the  
36 first occupants following construction or acquisition by the  
37 corporation, including the principal amount of obligations incurred  
38 to finance the share or membership purchase, does not exceed 3  
39 percent of the development cost or acquisition cost, or of the fair

1 market value appraisal by the permanent lender, whichever is  
2 greater.

3 *SEC. 6. Section 50073 of the Health and Safety Code is*  
4 *amended to read:*

5 50073. “Housing development”, *development*,” for the purpose  
6 of housing assisted by the department, means any work or  
7 undertaking of new construction or rehabilitation, or the acquisition  
8 of existing residential structures in good condition, for the provision  
9 of housing ~~which~~ *that* is financed pursuant to the provisions of  
10 this division for the primary purpose of providing decent, safe,  
11 and sanitary housing for persons and families of low or moderate  
12 income. “Housing development” also means housing financed  
13 pursuant to this part for rental occupancy of, for resale to, or sold  
14 to, persons and families of low or moderate income.  
15 Notwithstanding other provisions of this section, “housing  
16 development” does not include a work or undertaking financed by  
17 a neighborhood improvement loan. A housing development may  
18 include housing for other economic groups as part of an overall  
19 plan to develop new or rehabilitated communities or  
20 neighborhoods, where housing for persons and families of low or  
21 moderate income is a primary goal. A housing development may  
22 include any buildings, land, equipment, facilities, or other real or  
23 personal property ~~which~~ *that* the agency determines pursuant to  
24 its rules and regulations to be necessary or convenient in connection  
25 with the provision of housing pursuant to this division, including,  
26 but not limited to, streets, sewers, utilities, parks, site preparation,  
27 landscaping, and other nonhousing facilities, such as administrative,  
28 community, health, recreational, educational, commercial facilities,  
29 and child-care facilities ~~which~~ *that* the agency determines are an  
30 integral part of a housing development or developments.

31 “Housing development” includes the acquisition of a residential  
32 structure by a nonprofit housing sponsor, whether or not including  
33 rehabilitation, for the purpose of forming a limited-equity housing  
34 cooperative as defined in Section ~~33007.5~~ *817 of the Civil Code*.



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**All matter omitted in this version of the bill  
appears in the bill as amended in the  
Assembly, May 5, 2009 (JR11)**

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